

recognized that "bill and keep" -- compensation in-kind in the form of access to the other carrier's network -- is appropriate in situations like this where both carriers' facility costs are relatively low, transaction costs may be high, and traffic is roughly balanced; and (3) the ILECs are already fully recovering the costs of their SS7 networks -- and much more -- from subscribers to their vertical "CLASS" services, so charging the IXCs for these costs amounts to double recovery. 33/ The Commission should direct the ILECs' to remove the costs of shared SS7 facilities from access charges altogether.

### **III. THE COMMISSION SHOULD FORBEAR FROM ENFORCING THE GEOGRAPHIC AVERAGING REQUIREMENTS FOR PER-LINE CHARGES PAID BY INTEREXCHANGE CARRIERS.**

The Commission should reconsider its decision not to forbear under Section 10 from enforcing the geographic averaging requirements of Section 254(g) with respect to PICCs and other per-line charges paid by IXCs. 34/ WorldCom demonstrated in its initial comments that enforcement of this statute in this context is unnecessary to ensure just, reasonable, and not unreasonably

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33/ The Order never even addresses the arguments WorldCom made on these points in its initial and reply comments in this proceeding. WorldCom Initial Comments at 56-59 (Jan. 29, 1997); WorldCom Reply Comments at 39-41 (Feb. 14, 1997). This failure, in itself, is a reversible error. (In fact, the Commission does not even summarize WorldCom's principal arguments in the comment summary. Order, Appendix B, ¶¶ 131-35.) For the Commission's convenience, copies of those portions of WorldCom's comments and reply comments are attached as Attachment A.

34/ 47 U.S.C. §§ 160, 254(g); Order, ¶ 97.

discriminatory rates, or to protect consumers, and that, to the contrary, forbearance would lead to more just and reasonable rates and would advance the public interest. 35/ The Commission's Order only addresses these arguments in a perfunctory and conclusory manner, and should be reconsidered.

## CONCLUSION

In conclusion, the Commission should reconsider and clarify its decisions regarding transport rate structure and pricing and other issues, as discussed above.

Respectfully submitted,

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Dated: July 11, 1997

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35/ See WorldCom Initial Comments at 34-36 (filed Jan. 29, 1997).

# **ATTACHMENT A**

## COMMENTS

costs have been allocated. To enforce this requirement, it is necessary to examine the allocation of overheads/common costs to other specific transport services, as well as the allocation to tandem switched transport. The Bureau has experience with conducting this type of analysis.

We tentatively support making the rate structure for tandem switching the same as that for local switching, although, as with local switching, it is necessary to gather empirical data regarding how tandem switching costs are incurred. We believe that per minute rates are the only feasible way to set terminating tandem switching rates, but we are open to the possibility of flat rate (capacity sensitive), per message, or per minute rates for originating tandem switching. On this point, we refer to our discussion of the local switching rate structure above. <sup>67/</sup> Given the shared characteristics of the interoffice transmission network, particularly in the use of tandem switching, we do not believe it would be feasible or appropriate to attempt to separate out switch port charges from tandem switching.

**D. Common Channel Signaling System Seven ("SS7").**

**[Notice, Section III-F]**

In the Notice, the Commission seeks comment on removing costs associated with ILECs' SS7 networks from the transport interconnection charge,

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<sup>67/</sup> See supra Section II.B.2.

and instead recovering such costs through a rate structure such as that established by Ameritech pursuant to a waiver from the Common Carrier Bureau. WorldCom endorses the removal of SS7 costs from the transport interconnection charge. But instead of creating a new rate structure to recover such costs, the Commission should remove these costs from carrier access charges altogether.

First, in today's network of telecommunications networks, all interconnecting carriers need to deploy SS7 systems, both for efficient routing and transmission of their own traffic and traffic to and from interconnected carriers, and for the provision of services to their customers. Importantly, virtually all IXC's operate SS7 networks, and the ILEC's with which they interconnect benefit from the existence of those networks. Yet IXC's do not seek to recover their SS7 costs from ILEC's. Under the "network of networks" paradigm, WorldCom submits, each carrier should bear its own costs in connecting to other carriers.

It is true that LEC's SS7 networks provide benefits to interconnected IXC's, but IXC's SS7 networks provide similar -- possibly greater -- benefits to the incumbent LEC's with which they interconnect. For example, IXC's SS7 networks enable incumbent LEC's to provide highly profitable vertical services to their own customers, such as Caller ID, selective call forwarding, call return, and others, all of which depend on information transmitted over IXC's SS7 networks. Not only do IXC's not seek to recover these costs from incumbent LEC's, the Commission has forbidden the IXC's from recovering the costs of transmitting such information from the LEC's. The Commission justified this policy, in the context of Caller ID, based

on two propositions: (1) IXC's are deploying SS7 networks anyway to improve their own networks' efficiencies and for other reasons; and (2) the costs of transmitting information that benefits LECs is de minimis. <sup>68/</sup> The same arguments support forbidding the incumbent LECs from charging the IXC's for interconnection to SS7 networks.

Indeed, recovery of SS7 costs through interstate access charges would enable incumbent LECs to double-recover those costs, because they are already fully recovering the costs of their SS7 networks -- and much more -- through rates for vertical services that they offer their subscribers. These rates typically far exceed the cost of service. While such vertical services have traditionally been treated as intrastate services for regulatory purposes, the Commission has acknowledged on a number of occasions that such services have interstate as well as intrastate aspects. <sup>69/</sup> Pending revision of the separations rules, the Commission should recognize that, as a de facto matter, incumbent LECs are already recovering the SS7 costs that are allocated to the interstate jurisdiction from their (primarily

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<sup>68/</sup> Rules and Policies Regarding Calling Number Identification Service -- Caller ID, CC Docket No. 91-281, Report and Order, 9 FCC Rcd 1764, 1768, ¶ 23 (1994), aff'd on recon., 10 FCC Rcd 11700, 11712-17, ¶¶ 30-44 (1995). The LECs' arguments in favor of the Commission's conclusion are particularly instructive: see 10 FCC Rcd at 11711-12, ¶¶ 27-29.

<sup>69/</sup> Id.; Petition for Emergency Relief and Declaratory Ruling Filed by the BellSouth Corporation, Memorandum Opinion and Order, 7 FCC Rcd 1619 (1992), aff'd without opinion, Georgia Public Service Comm'n v. FCC, 5 F.3d 1499 (11th Cir. 1993).

intrastate) vertical service offerings. These costs should be removed from the transport interconnection charge, and the incumbent LECs should not be allowed to recover them from access customers. 70/

**E. Transport Interconnection Charge.**

**[Notice, Sections III-E and VII]**

**1. The Commission Must Not Establish Guarantees that Shield Incumbent LEC Revenues From Competition.**

In WorldCom's view, there is no more important issue in this proceeding than the elimination of the transport interconnection charge ("TIC"), and of any other mechanism that would shield incumbent LECs' revenues from competition. The existing TIC is an artifact of the Commission's decision in the Transport proceeding to adopt as a policy goal "revenue neutrality" for the incumbent LECs. In the discussion below, we show that it would be a dreadful blunder -- and contrary to the law -- for the Commission to adopt that same flawed reasoning in this proceeding (and in fact, that the Commission is under a legal mandate, under the CompTel v. FCC remand, to undo its original policy

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70/ To the extent that incumbent LECs offer specialized SS7-based "Advanced Intelligent Network" services that they themselves use, or that may be used by other carriers or information service providers, for purposes other than simply originating and terminating calls and passing identifying information to facilitate transmission, billing, and related services, those issues should be addressed in context of the pending Intelligent Networks proceeding.



## **REPLY COMMENTS**

**D. ILECs Should Not Be Allowed to Double Recover Their Shared SS7 Costs While Reaping the Benefits of Free IXC SS7 Services.**

[Notice, Section III.F.]

In WorldCom's initial comments, we argued that the ILECs should not be permitted to charge interconnecting IXCs for the use of their common channel signalling system 7 ("SS7") networks. 47/ Certain aspects of our proposal need to be clarified. First, we do not mean that there should be no charge for SS7-related facilities that are dedicated to the use of particular IXCs. WorldCom has no objection to reasonably cost-based rates for dedicated network access lines ("DNALs") provided to access customers in the context of SS7 networks -- for which ILECs are already charging IXCs. 48/ Rather, our argument goes to new charges to IXCs for the shared costs of SS7 networks. Second, WorldCom has no objection to cost-based rates for ILECs' offering of SS7 (both dedicated and shared components) as an unbundled network element. Carriers purchasing unbundled elements from the ILECs may well need to use the ILECs' SS7 networks to provide their own services, and should be able to purchase the use of such networks as an unbundled element. 49/

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47/ WorldCom Comments at 56-59.

48/ 47 C.F.R. § 69.125.

49/ 47 C.F.R. §§ 51.319(e), 51.509(f).

Instead, WorldCom's contention is that when telecommunications carriers with their own separate network facilities, including SS7 networks, interconnect with one another, those carriers should not charge one another for the use of those SS7 networks, which have shared costs. The same principle should apply whether the carriers are two interconnected facilities-based LECs operating in the same service area, or an IXC interconnecting with a LEC.

The total shared costs of SS7 networks are relatively low. <sup>50/</sup> Moreover, the administrative and transaction costs of implementing a billing arrangement for the shared costs of SS7 are significant: several ILECs in this proceeding, in effect, conceded that the high costs of the measurement and billing facilities necessary to implement the SS7 rate structure adopted by Ameritech and proposed in the Notice would not be justified by the benefits of that rate structure. <sup>51/</sup> And the traffic flows between ILECs and almost all IXCs are roughly balanced (i.e., the amount of originating and terminating traffic is roughly equal). These are precisely the circumstances under which the Commission has found that a "bill-and-keep" arrangement -- "compensation 'in-kind' in the form of access to the other carrier's network" -- could advance the public interest. <sup>52/</sup>

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<sup>50/</sup> See USTA Comments, Attachment 11 (total industry costs of SS7 included in TIC estimated at \$58.7million).

<sup>51/</sup> See, e.g., Bell Atlantic/NYNEX Comments at 40 and n. 95.

<sup>52/</sup> See Local Competition Order, ¶¶ 1112-13, 1116; cf. 47 U.S.C. § 252(d)(2)(B)(i). In particular, there is no risk, in this context, that cost-free termination would distort carriers' incentives and encourage them to seek

Moreover, a mandated "bill-and-keep" arrangement makes particular sense where, as here, each of the interconnected carriers is able to, and does, recover the relevant costs from its own end users. In particular, ILECs can, and do, recover the costs of their SS7 networks (and much, much more) from their end users through charges for SS7-based vertical services. In turn, IXC's have (somewhat more limited) opportunities to earn revenues from service offerings that use their SS7 networks. In these circumstances, neither ILECs nor IXC's should be allowed to impose charges on one another for the use of shared SS7 network facilities. Such charges would amount to double recovery.

**E. WorldCom Would Not Object to A Pro-Competitive Restructure of the Price Cap Baskets and Service Categories.**

[Notice, Section V.C.2]

Several of the ILECs propose major modifications to the existing structure of price cap baskets and service categories. In particular, several of them propose replacing the current four baskets and approximately two dozen service categories and subcategories with one or two baskets and a handful of service categories. <sup>53/</sup> WorldCom has long been concerned that the price cap system does

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[Footnote continued]

customers that primarily originate traffic. Local Competition Order, ¶ 1112. Termination in the context of ILEC-IXC interconnection would not be free; under WorldCom's proposal, only the SS7 component would be free of charge.

<sup>53/</sup> See, e.g., USTA Comments at 50-55; Southwestern Bell Comments at 32-34.

## **CERTIFICATE OF SERVICE**

I, hereby certify that on this 11th day of July, 1997, I caused to be served by hand delivery, copies of WorldCom's Petition for Reconsideration of the First Report and Order, addressed to the following:

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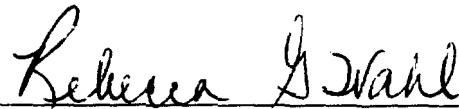
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A handwritten signature in cursive script, reading "Rebecca G. Wahl", written over a horizontal line.

Rebecca G. Wahl